GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2471
ANSWERED ON:18.03.2005
NEPALESE CURRENCY
Kamat Shri Gurudas

Will the Minister of FINANCE be pleased to state:

(a) whether the Nepalese currency is more popular in the cities which are adjacent to Nepalese border;

(b) if so, the reasons therefor;

(c) whether the Nepalese currency in these cities is legal tender and is inter-changeable with Indian currency;

(d) if so,the details thereof; and

(e) the steps proposed to be taken to curb it?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (d) : Nepalese currency is classified as a foreign currency under Foreign Exchange Management Act, 1999 (FEMA). In terms of regulation 8 of Foreign Exchange Management (Export and Import of Currency) Regulations, 2000, a person may -

(i) take or send out of India to Nepal or Bhutan, Indian currency notes of denominations other than Rs.500 and Rs.1000, without any limit.

(ii) bring into India from Nepal or Bhutan, Indian currency notes of denominations other than Rs.500 and Rs.1000, withoutany limit.

(iii) take out of India to Nepal or Bhutan, or bring into India from Nepal or Bhutan, currency notes being the currency of Nepal or Bhutan.

A person is accordingly permitted to bring into India Nepalese currency without any limit. This does not, however, confer `legal tender` status on Nepalese rupee. In physical form, residents can retain Nepalese currency equivalent to US$ 2000/- only, as in the case of other foreign currencies.A resident may receive payment in Nepalese rupees from a Nepalese residentfor goods sold or services rendered. He cannot, however, further transfer such Nepalese rupees to any resident other than an authorized dealer or money changer.

It is reported that some amount of Nepalese rupee does circulate in the border towns of India on account of border trade. This is bound to be the situation in all cases where there is a land border between two countries.

(e) Among the Indian towns in the border area, Gorakhpur has exchange facilities provided by State Bank of India and a franchisee of the bank,while Sonauli at the border check-post also has an SBI branch that provides exchange facility. There are no exchange facilities in the towns in Bihar bordering Nepal and there has been no demand received in the RBI from trade bodies, residents etc. to have such a facility either.